

Tuesday 30 July 2019

AVA Appendix 4C

- **\$1.2m Quarter on Quarter improvement in operating cash flows**
- **Strong sales order backlog at 30 June supports continued improvement in operating cashflow**
- **Initial Indian MoD orders received**
- **Consolidated cash position of \$3.1m**

Ava Risk Group Limited (ASX: AVA), a market leader of risk management services and technologies, today released its Appendix 4C for the quarter ended 30 June 2019.

Reduced operating cash outflows in the quarter resulted in a \$1.2m improvement in net operating cash flows compared to the previous quarter, with negative net operating cash flows \$0.7m for the quarter. Cash receipts from customers were down \$0.2m on the previous quarter to \$7.2m.

At 30 June 2019 the Company had sales orders in hand (backlog) in excess of \$6m, and \$3.1m cash at bank.

Excluding cash inflows from customer payments, and other sources, gross operating cash outflows are forecast around \$8.6m for next quarter.

Ava Group Chief Executive, Scott Basham said: *"Following our recent capital placement in May, Ava has appropriate levels of cash available to meet it's near term working capital needs and is well positioned to capitalise on our strong base of leading products, and a large order book to support a greatly improved and profitable FY2020".*

The delay of inflows originally expected for the Technology Division from the Indian MoD order, has impacted short-term working capital. This was addressed with the business completing an equity placement in May for \$3.1m, net of transaction costs.

The business continues to take action to reduce overhead by streamlining and consolidating particular parts of its operations, as part of an ongoing plan to further right size our cost base, and diligently manage our working capital. The business is fundamentally well positioned for growth and future success, with a strong backlog of customer purchase orders received, in excess of \$6m at 30 June 2019.

The Technology Division continues its efforts in expectation of negotiations being finalised with a major overseas customer for a significant (5 year) long term order to deliver large-scale fixed monthly quantities of one of our world-leading and award-winning locking products. When completed, this order will require a sizable expansion of specific parts of our existing production capabilities to meet not just the supply demands of this order, but the expectations of similar large-scale orders from elsewhere around the world for this unique product. This specific order will significantly change the underlying size of the business and will create strong profitable revenue streams for the company going forward in FY2020 and beyond.

The Technology Division is conducting an industry launch of our new Aura IQ product for conveyor belt assurance monitoring in August 2019. The first customer orders have been received, and installations are underway. The Aura IQ solution opens up a new \$300M+ revenue market opportunity for the Technology business.

The Services Division has continued its strong sales growth with YoY growth in sales of over 100% for FY2019. Profitability of the division improved by nearly \$1.0m compared to the prior year and the business unit was EBITDA positive during H2 FY2019. Business development activity during H2 FY2019 has resulted in an increase in the gross sales pipeline to over \$90m (previously \$70m) with a number of key tenders forecast to be awarded in Q1 FY2020. As well as growth from new accounts, Ava Global continues to experience growth across all of its key accounts.

Total revenue for Q1 FY2020 is forecast to be in excess of A\$9.0m.

Ava Group continues to be confident of increasing its revenues and delivering profits in FY2020 and beyond.

About Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT) is a market leader in the provision of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

For further information contact: Leigh Davis leigh.davis@theavagroup.com

Note 1

Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

To the maximum extent permitted by law, the Company, its officers, employees and agents do not assume any obligation to release any updates or revisions to the information (including any forward looking statements) in this presentation to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this presentation or its content.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AVA Risk Group Limited

ABN

67 064 089 318

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		7,159	31,532
1.2 Payments for			
(a) research and development		(432)	(1,201)
(b) product manufacturing and operating costs		(4,701)	(20,876)
(c) advertising and marketing		(149)	(424)
(d) leased assets		-	-
(e) staff costs		(2,470)	(10,503)
(f) administration and corporate costs		(682)	(2,253)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	13
1.5 Interest and other costs of finance paid		(5)	(14)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		582	582
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(697)	(3,144)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		-	(292)
(b) businesses (see item 10)		-	(1,240)
(c) investments		-	-
(d) intellectual property		(317)	(1,038)
(e) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	99	99
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) – cash from consolidation of MaxSec Group Limited	-	-
2.6	Net cash from / (used in) investing activities	(218)	(2,471)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,290	3,290
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(176)	(176)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(141)
3.10	Net cash from / (used in) financing activities	3,114	2,973
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	937	5,910
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(697)	(3,144)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(218)	(2,471)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,114	2,973

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(54)	(186)
4.6	Cash and cash equivalents at end of quarter	3,082	3,082

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,993	849
5.2	Call deposits	88	88
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,082	937

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(269)

-

Includes all Executive Directors and Non-executive fees and salaries, and consultancy and service fees paid to related or associated parties of Directors including in respect of subsidiary operations whereby directors are related parties.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	1,000	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Secured Business overdraft facility with Westpac Banking Corporation. Interest rate is variable with the lender's base business lending rate.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(300)
9.2 Product manufacturing and operating costs	(5,000)
9.3 Advertising and marketing	(100)
9.4 Leased assets	-
9.5 Staff costs	(2,850)
9.6 Administration and corporate costs	(350)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(8,600)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	MaxSec Group Ltd	
10.2 Place of incorporation or registration	Sydney, Australia	
10.3 Consideration for acquisition or disposal	\$1,240,000	
10.4 Total net assets	Remaining 9% of business not already owned.	
10.5 Nature of business	MaxSec Group Limited, through its divisions BQT Solutions and Ava Global, is a leading designer, developer and global provider of quality reliable and secure smart card and reader systems, biometric scanners, locking devices and a global provider of secure logistics and storage services.	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date:30/07/2019.....

Print name: ..Leigh Davis.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.